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FISCAL IMPACT STATEMENT

LS 7057

BILL NUMBER: HB 1324

NOTE PREPARED: Jan 23, 2012

BILL AMENDED: Jan 23, 2012

SUBJECT: School Accountability and Turnaround Academies.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Turnaround Academy: The bill requires the State Board of Education (Board) to set specific goals for a turnaround academy, and allows the turnaround academy to be operated by a special management team. It provides that a turnaround academy that meets the goals set for it becomes an independent school. The bill sets forth provisions concerning the operation of a turnaround academy and an independent school.

High Performance: The bill creates a designation of "high performing school corporation", and provides that certain statutes and rules may be waived for a high performing school corporation.

Spending Analysis: The bill requires the Board to develop and perform an annual analysis showing how school corporation spending correlates to student progress. It requires the Department of Education to include a copy of the annual analysis on the Department's Internet web site.

State Board Action: The bill requires a governing body of a school corporation in the first year that the school corporation is placed in the lowest two categories or designations of improvement to hold a public hearing. It requires the governing body to revise a school's strategic and continuous school improvement plan.

The bill requires a State Board to assign an expert team to review a school corporation in the second year that the school corporation is placed in the lowest two categories or designations of improvement. It requires the State Board to hold a public meeting to consider state intervention in the third year that the school corporation is placed in the lowest category or designation of improvement.

The bill also requires the State Board to hold a public meeting to consider state intervention in the fourth year that the school corporation is placed in the lowest two categories or designations of improvement. It provides that after the public meeting, the state board may: (1) merge the school corporation with a nearby school corporation; (2) assign a special management team or lead partner to operate all or part of the school corporation; (3) implement the department's recommendations for improving the school corporation; (4) dissolve the governing board of the school corporation and install a state appointed board; (5) transfer the school corporation's authority to another entity; (6) require state board approval of the school corporation's annual budget; or (7) implement other options for school corporation intervention. The bill makes conforming amendments.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Summary:*

(1) *Turnaround Academy & Lead Partners:* According to the Department of Education, with the changes they have implemented over the last year, they could process additional schools within their current level of resources.

(2) *Spending Analysis:* The State Board may have to contract with an individual who has experience in statistical techniques. Funding for research projects is included in the current budget (\$3.7 M) for the State Board but it is not known at this time if sufficient funds would be reserved for a project of this complexity. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

(3) *State Board Action:* According to the Department of Education, the bill's requirements are within the Department's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels. Based on the 2011 data, under this provision, a total of 54 out of 292 school corporations would have been eligible for initial intervention by the State Board.

Additional Information:

Turnaround Academy & Lead Partners: The bill will require that when the Board assigns a special management team to operate a turnaround academy, they have to enter into a contract with the management team. The contract has to include:

1. The length of the contract.
2. The level of services to be provided.
3. The entity responsible for providing the necessary services to the school and students.
4. Other provisions deemed necessary.

The special management would have to obtain a performance bond. The amount of the bond is to be determined by the Board. The bond may be set aside if in the third year of intervention, the Board determines the special management team has reached the goals identified for the turnaround academy.

If the Board enters into a contract with a lead partner and school corporation to assist a school corporation in improving performance of the school, the contract must include:

1. The length of the contract.
2. Considerations.
3. Performance goals.
4. Cancellation procedures.
5. Renewal procedures.
6. Other provisions deemed necessary.

The bill changes the time line for the state to implement interventions from 6 years of being place in the lowest category to 4 years in the lowest category or 5 years in the lowest two categories of performance. This could increase the number for schools eligible for interventions. Currently, there are approximately 96 out 1,841 schools that have been in the lowest two categories for five years, and an additional 4 schools that have been in the lowest category for four years. According to the Department of Education, with the changes they have implemented over the last year, they could process additional schools within their current level of resources.

(Revised) *Spending Analysis*: This bill requires the State Board of Education to develop and perform an annual analysis on the relationship between school corporation spending and student progress. The analysis must also identify school corporations who are particularly effective in utilizing their resources to contribute to high academic performance. It requires the Department of Education to include a copy of the annual analysis on the Department's web site.

(Revised) *State Board Action*: Current law places Indiana schools into one of five categories based upon student performance and improvement data from the state's ISTEP+ assessments in Grades 3 – 8, and End of Course Assessments in Algebra I and English 10. The five categories are: Exemplary Progress - A; Commendable Progress - B; Academic Progress - C; Academic Watch (priority) - D; Academic Probation (high priority) - F.

This bill also applies to school corporations. It does not replace current law, but it follows (with a few changes) a probationary process similar to current law (see *Background Information*). The following are the major changes:

a. Although this bill applies to school corporations, current law would still apply to individual schools. The current statute applies to schools whose performance evaluation places them in the lowest performing category (Academic Probation). Except in one instance, this bill applies to school corporations in the two lowest performance categories (Academic Watch and Academic Probation). The exception occurs three years after the initial placement on probation. The corporation must be placed in the Academic Probation category in order to trigger intervention by the State Board.

b. In the first year that the corporation is placed in one of the two lowest categories, the actions taken by the school corporation under this bill generally mirrors that taken by the corporation under current law. The one major difference is that under current law, if the school corporation requests the State Board to appoint an expert team to assist in the development of a new school improvement plan, the school would forfeit three years in which to improve. Under this bill, this penalty would not apply to the corporation.

c. The length of time for the probationary process has been reduced from six years total to five, and sometimes it could even be reduced to four years. For example, under current law the State Board has to appoint an expert team after the school has placed in the Academic Probation category for four straight years; under this bill, the team would be appointed after the corporation has placed in the lowest or second lowest

category for three years, one year less.

Under current law, the State Board could merge the school, close it or restructure it as a turn-around academy only after the school has been in the lowest category for six straight years. Under this bill, State Board could take these steps (except closing) for a school corporation as early as the fourth year. If the corporation is in its fifth year on probation, these options remain open to the State Board. As a result, schools in these corporations may have one less year and sometimes two fewer years in which to improve.

The bill also provides a few other options for the State Board if the corporation has been on probation for four or five years. It can dissolve the governing board of the school corporation and install a state appointed board, transfer the school corporation's authority to another entity or require State Board approval of the school corporation's annual budget.

d. Under this bill, the State Board has to appoint an expert team to assist the school corporation if it has been in one of the lowest two categories for two straight years after the initial placement. Additionally, the bill stipulates that once an expert team has been appointed, it would remain active until the school corporation has achieved one of the top three ratings (Exemplary Progress, Commendable Progress, Academic Progress) for two consecutive years. If, however, the school corporation is placed in the lowest category, the expert team would be disbanded. The State Board could then merge the corporation with a nearby corporation, restructure it as a turn around academy, or dissolve its governing board. It could also transfer the corporation's authority to another entity, or assume responsibility for approving the corporation's annual budget.

Background Information - Turnaround Academy & Lead Partners, State Board Action:

The current consequences for the placement of a school on academic probation:

1. Year 1 (the year the school is placed on probation):
 - a. The school board shall issue a public notice of the school lack of performance and hold a public meeting.
 - b. The school improvement committee shall revise the school's improvement plan. The revision could include shifting resources, changing personnel, or a request to the Board to appoint an outside management team to manage the school or assist in the development of the improvement plan.
2. Year 4 (three years after being placed on probation):
 - a. The Board shall establish and assign a expert team to the school. The team:
 - i. Must include representatives from the community.
 - ii. May include the superintendent, members of a school board, and teachers from schools that are in the highest performance categories.
 - iii. Special consultants or advisers.
 - b. The expert team shall:
 - i. Assist the school in revising the school's performance improvement plan.
 - ii. Recommend changes in the school to promote improvement.
 - c. The school board may petition the Board to restructure the school.
3. Year 6 (five years after being placed on probation): The Board must:
 - a. Hold at least 1 public hearing in the school to consider and hear testimony concerning the

following options for school improvement:

- i. Merging the school with a nearby school that is in a higher performance category.
 - ii. Assigning a special management team to operate all or part of the school.
 - iii. Other options for school improvement expressed at the hearing, including closing the school.
 - iv. Revise the school's improvement plan in any of the following areas.
 - (1) Change the school's procedures or operations.
 - (2) Professional development.
 - (3) Intervention for individual teachers or administrators.
- b. If the Board determines that intervention will improve the school, the Board shall implement one of the above options.

The performance categories are:

1. A (Exemplary Progress)
2. B (Commendable Progress)
3. C (Academic Progress)
4. D (Academic Watch)
5. F (Academic Probation)

The letter grade is the current designation; the designation in parenthesis is the prior designation.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:*

(1) *Turnaround Academy:* The bill could increase the number of turnaround academies and shift funding from school corporations to the schools that become turnaround academies.

(2) *High Performance:* There are approximately 531 public schools out of 1,841 public schools that have been in the highest categories, A (Exemplary), for at least two consecutive years. The provision could reduce school administrative costs and program costs for high performing schools. The amount of the savings is unknown.

(3) (Revised) *State Board Action:* The specific impact would depend on how long the school and/or its parent corporation have been performing poorly, and the remedial actions taken by the State Board. The impact is indeterminable at this time but indications are that the bill's requirements should be able to be implemented with no additional appropriations, staffing or resource levels.

Additional Information:

Turnaround Academy: The bill would create a Turnaround Academy for a school that remains in the lowest performance categories for a fourth year consecutive year, either of the two lowest performance categories for a fifth consecutive year, or, in certain circumstances after a second or third consecutive year of being in the second lowest performance category. The Academy could contract with a school corporation for goods or services.

Parents of a school that has been placed in the lowest two performance categories, D-watch or F-probation, for either two or three consecutive years, can start a petition for their school to be subject to the same interventions as a school that is in the 5th year of payment in the lowest two performance categories. The petition requires 51% of the school's parents to sign the petition. Parents have 90 days to collect signatures.

The bill specifies that the school corporation will continue debt service payments for school buildings utilized by the Turnaround Academy.

When a Turnaround Academy contract ends because the academy has met the goals in the contract, the academy becomes an independent school and is a separate entity from the originating school corporation. The independent school must be nonsectarian, nonreligious and open to any Indiana student. If the number of students applying for the school exceeds available space, then the school has to have a random drawing in a public meeting to determine which students are admitted. The independent school will also have its own school board of 7 to 9 members. Three of the members are appointed by the mayor, town manager, or county commissioners where the school is located. The remaining members are appointed by the State Board based on recommendations by the mayor, town manager, or county commissioners of where the school is located. The independent school would receive tuition support and state grants like school corporations and charter schools.

Background Information: After the management team takes over control of a school, the team's operating expenses are funded from the state tuition support formula by redirecting the dollars from the school corporation to the management team. For the 2012-2013 school year, there are five schools that have been assigned management teams by the Board to operate the schools, and two teams as lead partners to assist two school corporations in improving performance.

For the FY 2010-2011 school year, there were approximately 111 of 1,841 schools that received a performance grade of F (probation). Of the 111 schools, approximately 7 schools have been on probation for 6 consecutive years, 1 for 5 consecutive years, 4 for 4 consecutive years, and 4 for 3 consecutive years.

High Performance: The bill would waive certain rules and statutes if a school or school corporation has been placed in the highest category of performance for at least 2 years.

The following rules or statutes would be waived.

1. Length of student instructional days.
2. Minimum number of student instructional days.
3. Penalty for failure to conduct minimum number of instructional days.
4. Minimum length of school term.
5. Application requirements for community or volunteer service credits.
6. Necessity for a waiver to implement nonstandard courses and curriculum programs.
7. Program requirement for high-ability students.
8. Necessity for a waiver of certain rules for programs for high-ability students.
9. Any rule adopted by the State Board of Education.

(Revised) *State Board Action:* See also *Explanation of State Expenditures - State Board Action*. Under this bill and current law, a school may encounter one of the following impacts depending on the performance category of the school and its parent corporation:

a. A School in the Academic Probation Category: As a minimum current law applies to this school whether the parent corporation is on probation or not. There may also be an impact because of this bill. For example, if the parent corporation is not on probation then only the impact of current law applies. On the other hand, if the parent corporation is also on probation then state intervention at the corporate level may add to the impact of current law.

b. A School in the Academic Watch or Higher Category: Current law does not apply to this school. However, there may be an impact because of this bill. For example, if the parent corporation is not on probation then the total impact is minimal. On the other hand, if the parent corporation is on probation then the state intervention at the corporate level may cause some impact.

c. Probationary Period: Any potential impact may occur one and sometimes two years sooner than under current law. For example, assume that a school and its parent corporation are in the Academic Probation category, and this would eventually lead both to be restructured as a turn around academy. Under current law, the probationary process would last a total of 6 years for the school; under this bill, it would last a maximum of 5 years and it could last only 4 years.

Background Information: Based on 2011 school performance data, there are 7 school corporations in the Academic Probation category and 47 corporations in the Academic Watch category. At the school level, there are 111 out of 1,841 schools in the Academic Probation category. Whether a school corporation becomes subject to this bill would eventually depend on how many of its schools are in the Academic Watch or Academic Probation categories. In 2011, for example, of the 62 schools in the Indianapolis Public School district, 24 were placed in the Academic Probation category, 8 in Academic Watch, 21 in Academic Progress, and 9 in Exemplary Progress; half of its schools were in the two lowest categories. Six of its schools are in their sixth year of probation under current law.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education; Department of Education.

Local Agencies Affected: School Corporations.

Information Sources: Department of Education PL 221 website, <http://www.doe.in.gov/pl221/welcome.html>; Ashley Gibson, Department of Education, 317-232-6618.

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